

TOWNSHIP OF DAGGETT  
REPORT ON FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION  
YEAR ENDED MARCH 31, 2006

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name DAGGETT TOWNSHIP	County MENOMINEE
Audit Date MARCH 31, 2006	Opinion Date SEPTEMBER 11, 06	Date Accountant Report Submitted to State: SEPTEMBER 11, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

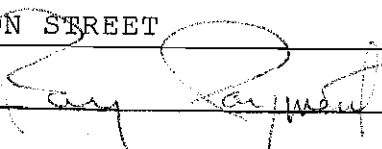
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 617 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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RAYMOND L. PAYMENT  
CERTIFIED PUBLIC ACCOUNTANT

617 LUDINGTON STREET  
ESCANABA, MICHIGAN 49829  
PHONE: 906-786-8520  
FAX: 906-786-8521

PROFESSIONAL BUILDING  
STEPHENSON, MICHIGAN 49887  
PHONE: 906-753-4700

September 11, 2006

INDEPENDENT AUDITOR'S REPORT

Honorable Township Board  
Township of Daggett  
Menominee County, Michigan

I have audited the general purpose financial statements of the Township of Daggett, Michigan as of and for the year ended March 31, 2006, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards accepted in the United State of America, Government Auditing Standards, issued by the Comptroller General. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 2, the Township of Daggett prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described more fully in Note 2, the Township has not maintained a record of its general fixed assets and, accordingly, the General Fixed Assets Account Group is not included in this report, as required by generally accepted accounting principles.

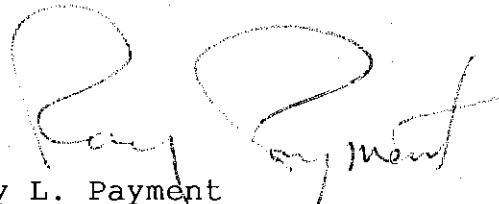
Management has not presented government-wide statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The statements for the Township's governmental activities and business-type activities are not reasonably determinable.

September 11, 2006

In my opinion, except for the effects of the omission of the general fixed assets and government-wide statements as discussed in the previous paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, only the cash and unencumbered cash balances of each of the Township's fund types at March 31, 2006, and revenues received and the expenditures paid to such fund types as discussed in the third paragraph, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 11, 2006 on my consideration of Daggett Township's internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

I conducted my audit for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary data are presented for the purpose of additional analysis and are not a required part of the financial statements of the Township of Daggett, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Ray L. Payment  
Certified Public Accountant

TOWNSHIP OF DAGGETT  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS - CASH BASIS  
MARCH 31, 2006

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	<u>Governmental</u>	<u>Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>
ASSETS:		
Cash	\$ 306 226	\$ -
TOTAL ASSETS	<u>\$ 306 226</u>	<u>\$ -</u>
 FUND EQUITY:		
Fund Balance (Unreserved)	\$ 306 226	-
TOTAL FUND EQUITY	<u>\$ 306 226</u>	<u>\$ -</u>

See accompanying notes to financial statements.

TOWNSHIP OF DAGGETT  
 COMBINED STATEMENT OF CASH RECEIPTS  
 DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
 GENERAL AND SPECIAL REVENUE FUNDS  
 MARCH 31, 2006

	General Fund	Special Revenue Fund
CASH RECEIPTS:		
Current Property taxes	\$ 16 938	\$ 17 923
Delinquent taxes	1 539	1 628
Swamp tax and CFR	653	-
State revenue sharing	33 342	-
Charges for services -		
Tax collections	5 435	-
Interest	991	-
Reimbursements and miscellaneous	3 081	-
	<u>61 979</u>	<u>19 551</u>
TOTAL CASH RECEIPTS		
CASH DISBURSEMENTS:		
Legislative:		
Trustees and township board expenses	2 695	-
General Government:		
Supervisor	5 941	-
Clerk and deputy clerk	6 575	-
Treasurer	8 307	-
Assessor	4 952	-
Insurance	4 530	-
Board of Review	580	-
Utilities and townhall repairs	933	-
Tax roll expense	943	-
Legal fees	438	-
Social security tax	4 369	-
Elections	937	-
Highways and roads	122	-
Fire protection	-	19 551
	<u>41 322</u>	<u>19 551</u>
TOTAL CASH DISBURSEMENTS		
EXCESS OF CASH RECEIPTS OVER (UNDER)		
DISBURSEMENTS	\$ 20 657	\$ -
FUND BALANCE, April 1, 2005	<u>285 569</u>	<u>-</u>
FUND BALANCE, March 31, 2006	<u>\$306 226</u>	<u>\$ -</u>

See accompanying notes to financial statements.

TOWNSHIP OF DAGGETT  
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS  
 GENERAL AND SPECIAL REVENUE FUNDS  
 MARCH 31, 2006

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
Current property taxes	\$ 16 938	\$ 17 000	\$ ( 62)
Delinquent taxes	1 539	1 500	39
Swamp tax and CFR	653	650	3
State revenue sharing	33 342	35 000	( 1 658)
Charges for services - Tax collections	5 435	5 300	135
Interest	991	620	371
Reimbursements and misc.	3 081	720	2 361
TOTAL RECEIPTS	61 979	60 790	1 189
CASH DISBURSEMENTS:			
Trustees and board expenses	2 695	5 250	2 555
Township supervisor	5 941	6 000	59
Township clerk and deputy	6 575	6 820	245
Board of Review	580	600	20
Treasurer	8 307	8 750	443
Manatron and tax collections	943	1 500	557
Legal fees and audit	438	500	62
Assessor	4 952	5 800	848
Highways & roads	122	900	778
Social security tax	4 369	5 000	631
Insurance and bonds	4 530	4 520	( 10)
Utilities and township hall	933	5 900	4 967
Fire protection	-	-	-
Elections	937	600	( 337)
TOTAL DISBURSEMENTS	41 322	52 140	10 818
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 20 657	\$ 8 650	\$ 12 007
FUND BALANCE, April 1, 2005	285 569	285 569	-
FUND BALANCE, March 31, 2006	\$306 226	\$ 294 219	\$ 12 007

See accompanying notes to financial statements.



Special Revenue Funds		
Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
\$ 17 923	\$ 17 300	\$ 623
1 628	1 630	( 2)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
19 551	18 930	621
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
19 551	18 930	621
-	-	-
19 551	18 930	621
\$ -	\$ -	-
-	-	-
\$ -	\$ -	\$ -

TOWNSHIP OF DAGGETT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

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NOTE 1 - REPORTING ENTITY

The Township of Daggett is located in Menominee County and provides services to its residents in many areas including community enrichment and development, and human services. In accordance with the provisions of NGCA Statement 3, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by the NGCA for determining the various governmental organizations to be included in the reporting entity's financial statements include over-sight responsibility, scope of public service, and special financial relationships. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. Educational services are provided through the Stephenson Area School system which is a separate governmental entity and, therefore, not presented in the financial statements included herein.

BASIS OF PRESENTATION

The financial activities of the Township are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The Fund includes the general operating expenditures of the Township. Revenues are primarily derived from property taxes, State grants and other intergovernmental revenues.

FIDUCIARY FUNDS

Agency Fund

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The only Agency Fund is the Current Tax Collection Fund.

SPECIAL REVENUE FUND

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Daggett Township do not conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

TOWNSHIP OF DAGGETT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

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BASIS OF ACCOUNTING

Governmental Funds

The accounting policies of the Township of Daggett do not conform to generally accepted accounting principles as applicable to governmental units in that the cash basis of accounting is utilized by the governmental fund rather than the modified accrual basis of accounting. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

Fiduciary Funds

The Fiduciary Fund is maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Budgets and Budgetary Accounting

A budget is adopted by the Township Board for the General Fund and Special Revenue Fund based on anticipated required cash disbursements for the fiscal year April 1, 2005 through March 31, 2006 which is consistent with the cash basis of accounting for governmental fund types. The budget is adopted at the line item level. The budgeted amounts are shown on page 7. All appropriations lapse at fiscal year-end. For the current fiscal year the budgeted expenditures were not amended.

FIXED ASSETS

The accounting policies of Daggett Township as they relate to fixed assets are not in accordance with generally accepted accounting principles in that the general fixed assets are not recorded.

PROPERTY TAXES

The Township's 2005 ad valorem tax was levied and collectible on December 1, 2005. It is the Township's policy to recognize revenues from the current tax levy in the current year when

TOWNSHIP OF DAGGETT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

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when the proceeds on this levy are budgeted and made available for the financing of Township operations. Payment from the county which purchases the 2005 delinquent taxes will be recognized as revenue when received in cash.

See schedule on page 15 for levy breakdown and millage rates.

NOTE 3 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Township are in two banks in the name of the Daggett Township Treasurer, Michigan Compiled Laws, Section 124.91 authorized the Township Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the Government National Mortgage Association; United States Government or Federal Agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rates by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Noninsured	\$ 29 906
Insured (FDIC)	<u>276 320</u>
TOTAL DEPOSITS	<u>\$ 306 226</u>

NOTE 4 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

TOWNSHIP OF DAGGETT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

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NOTE 5 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF DAGGETT  
COMBINING BALANCE SHEET - CASH BASIS  
SPECIAL REVENUE FUNDS  
MARCH 31, 2006

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	<u>Fire Fund</u>
CASH	\$ -
	<hr/>
FUND BALANCE	\$ -
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See accompanying notes to financial statements.

TOWNSHIP OF DAGGETT  
COMBINING STATEMENT OF CASH RECEIPTS  
DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
ALL SPECIAL REVENUE FUNDS  
YEAR ENDED MARCH 31, 2006

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	<u>Fire Fund</u>
CASH RECEIPTS:	
Current property taxes	\$ 19 551
TOTAL CASH RECEIPTS	<u>19 551</u>
CASH DISBURSEMENTS:	
Fire protection	<u>19 551</u>
TOTAL CASH DISBURSEMENTS	<u>19 551</u>
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -
FUND BALANCE, April 1, 2005	<u>-</u>
FUND BALANCE, MARCH 31, 2006	<u>\$ -</u>

TOWNSHIP OF DAGGETT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL FIDUCIARY FUND TYPES  
MARCH 31, 2006

<u>CURRENT TAX COLLECTION FUND</u>	Balance April 1, 2005	<u>Additions</u>	<u>Deductions</u>	Balance March 31, 2006
<u>ASSETS</u>				
Cash	\$ -	\$ 341 789	\$ 341 789	\$ -
TOTAL ASSETS	\$ -	\$ 341 789	\$ 341 789	\$ -
<u>LIABILITIES</u>				
Due to other taxing units:				
Township of Daggett -				
General Fund	\$ -	\$ 23 250	\$ 23 250	\$ -
Fire Fund	-	17 923	17 923	-
Menominee County	-	110 608	110 608	-
Intermediate School				
District	-	28 126	28 126	-
Area Schools				
State of Michigan	-	85 885	85 885	-
(S.E.T.)	-	75 997	75 997	-
TOTAL LIABILITIES	\$ -	\$ 341 789	\$ 341 789	\$ -



TOWNSHIP OF DAGGETT  
SCHEDULE OF ASSESSED VALUATION, TAX RATES AND TAX LEVIES  
YEAR ENDED MARCH 31, 2006

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	<u>Daggett Township General Fund</u>	<u>Daggett Township Fire Fund</u>
Taxable valuation	\$13 426 190	\$13 426 190
Millage rate	<u>1.3728</u>	<u>1.4527</u>
Tax levy	18 431	19 503
Taxes returned delinquent	<u>1 493</u>	<u>1 580</u>
Current tax collections	<u>\$ 16 938</u>	<u>\$ 17 923</u>

<u>Menominee County</u>	<u>Area Public Schools</u>	<u>Intermediate Schools</u>	<u>State of Michigan</u>
\$13 426 190	\$13 426 190	\$13 426 190	\$13 426 190
<u>8.8889</u>	<u>20.3034</u>	<u>2.2795</u>	<u>6.0000</u>
119 344	94 548	30 605	80 418
<u>8 908</u>	<u>8 663</u>	<u>2 479</u>	<u>4 482</u>
<u>\$ 110 436</u>	<u>\$ 85 885</u>	<u>\$ 28 126</u>	<u>\$ 75 936</u>

RAYMOND L. PAYMENT  
CERTIFIED PUBLIC ACCOUNTANT

617 LUDINGTON STREET  
ESCANABA, MICHIGAN 49829  
PHONE: 906-786-8520  
FAX: 906-786-8521

September 11, 2006

PROFESSIONAL BUILDING  
STEPHENSON, MICHIGAN 49887  
PHONE: 906-753-4700

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
"GOVERNMENT AUDITING STANDARDS"

Daggett Township  
Daggett Township Board  
Menominee County, Michigan

I have audited the general purpose financial statements of Daggett Township as of and for the year ended March 31, 2006, and have issued my report thereon dated September 11, 2006. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Daggett Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

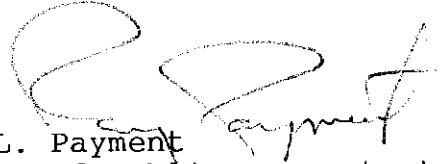
Internal Control Over Financial Reporting

In planning and performing my audit I considered Daggett Township's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

September 11, 2006

relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ray L. Payment  
Certified Public Accountant